

annual report, 1967

ROYAL AMERICAN PETROLEUMS LTD.

an exploration company

ANNUAL REPORT

1967

ROYAL AMERICAN PETROLEUMS LTD.

board of directors

Joe L. Milner, B.Sc., P.Eng.....Edmonton, Alberta
Robert S. Matheson, B.A., LL.B.....Edmonton, Alberta
J. Arthur Jones.....Edmonton, Alberta
Norman A. Lawrence, B.Sc., P.Eng.....Edmonton, Alberta
Harold A. Smith.....Edmonton, Alberta
Nello W. Marano, B.Sc.....Edmonton, Alberta
Hamilton Anderson.....Vancouver, B.C.

chief executive officers

Joe L. Milner, B.Sc., P.Eng.....President
Nello Marano, B.Sc.....Vice-President
J. Arthur Jones.....Secretary-Treasurer

office

Head Office: 10612 - 124 Street
Edmonton, Alberta

auditors

Price Waterhouse & Co.
Chartered Accountants
Edmonton, Alberta

registrars and transfer agents

Canada Permanent Trust Company
Edmonton • Vancouver
Montreal • Toronto

stock exchange

Listed on the Vancouver Stock Exchange
Canadian Stock Exchange

TO THE SHAREHOLDERS:

Your Directors take pleasure in submitting this Annual Report to review the past year activities. You will find within the brochure the balance sheet of the company together with the balance sheet of our Producing Department, P.A.T. Operators Ltd. In connection with the Financial Statements and other company activities the following comments are submitted.

EXPLORATION:

During the last year the Company has taken part in exploration plays which have attracted widespread attention. It has added substantially to the number of oil reserves and producing wells. Additional equity capital has been used to provide the funds necessary for these expansions.

Of particular interest is the exploration of Bistcho Lake. Located on the north end of the Rainbow-Zama Lake trend, this play is particularly well located and consequently has attracted considerable interest. The Rainbow-Zama Lake trend is the site of several prolific oil fields resulting in considerable attention being paid to those oil companies having land holdings in the area.

Details of our land holdings in this area have been set out in many reports to shareholders and consist of total gross acreage of 24,320 acres of which 16,260 are leased acres with 7,060 acres held as a drilling reservation. Royal American is the operator of this exploratory project and holds a 31¼% interest. The Royal American 10-10-126-6 well has been drilled and during January of this year completion procedures were undertaken. The location of this project is such that economical operation can only be undertaken during the winter months. Royal American plans to follow up with additional drilling but before a starting date for additional work is set, it will be necessary to hold final meetings with our project partners.

This is an exploratory venture and therefore involves the taking of risks, however, in view of the location and geological information on hand, the risks are more than compensated for by the possibilities of establishing a sizeable oil reserve.

Royal American holds acreage on the Blood Indian Reserve. At the present time major companies have started exploration in the immediate area and we have decided to wait further developments prior to taking any further steps. Tentative discussions with an interested company may result in deepening our well for geological information at no cost to us. This could result in further activity on this acreage in the ensuing year.

Other company acreages are being kept under review and in some cases geological studies are underway. Activities by other companies in the area of company holdings are being watched closely with a view to obtaining any helpful information available.

FINANCIAL:

The Financial Statements for the company and its producing department, P.A.T. Operators Ltd. are submitted with this report. It was not possible to submit these statements on a consolidation basis this year owing to the fact that P.A.T. Operators Ltd. was acquired at year-end by Royal American (December 31, 1966 with year-end of P.A.T. being March 31st. In subsequent years a consolidated statement will be enclosed.

The Accounts Receivable and Payable on the company balance sheet in the main reflect billing to partners and accounts to pay in connection with the operations at Bistcho Lake which were in progress at year-end. The investment in a wholly-owned subsidiary reflects the purchase of additional wells in Lloydminster (P.A.T.). In examining the Profit and Loss Statement we point out that administrative income was not netted out against administrative expenses as in previous statements. Crude oil sales on the company statement should be considered together with those sales shown on the P.A.T. Operators Ltd. statement when considering future operations since Royal American sold across to P.A.T. all of their wells and properties in the Lloydminster field. General and administrative expenses are somewhat higher due to the acquisition of P.A.T. and the work on the Bistcho Lake project.

The statement reflects the book profit made on the sale of oil wells and lands in Lloydminster to P.A.T. in the amount of \$310,000. This eliminates a previous deficit leaving the Company with an earned surplus of close to \$20,000. These properties were sold across at a price arrived at by having an independent appraisal made and points out that in a producing company the value of lands held can frequently be understated on the balance sheet particularly in those instances where wells have been drilled or discoveries made.

Note 3 to the balance sheet describes the \$100,000 Note payable as a result of the purchase of P.A.T. This has subsequently been retired by the issue of 66,666 treasury shares.

FUTURE OPERATIONS:

The Company intends to concentrate on the development of its Lloydminster holdings in order to realize on the potential of this area. The very substantial holdings of proven and semi-proven lands in the Lloydminster area and the extensive operations which we profitably conduct in this field points this out as being the best course of action to follow for at least the next year or eighteen months. This does not mean that we will not take part in other interesting plays but rather that our main area of endeavor will be in the Lloydminster field.

Waterflooding as a secondary recovery technique has been successful in the Lloydminster area. This results in increases in daily well production and calculated increases in total recovery of oil. We are not in a position at the moment to state what the final result could be if we completed our development drilling and successfully carried out waterflooding, however, it is believed that we will develop a daily production rate of 3,000 bbl./day. This will provide a very substantial cash flow, which could be used to finance participations in other exploratory areas and result in further discoveries and development programs.

The recent acquisition of P.A.T. and consolidation of our holdings in the Lloydminster field has resulted in Royal American establishing a producing department performing the services of oil well Pumping, Accounting and Trucking. We provide these services for other well owners in the area as well as taking care of our own production. This Pumping, Accounting and Trucking service in short form is P.A.T. Operators Ltd.

Submitted on behalf of the Board,

JOE L. MILNER, BSc., PEng., President.

Royal American Petroleum Ltd.

is pleased to present

P.A.T. OPERATORS LTD.

(a wholly - owned subsidiary)



Aerial View of
Some P.A.T. Operators
Leases.

P.A.T. OPERATORS LTD.

a recently purchased and wholly owned subsidiary of

ROYAL AMERICAN PETROLEUMS LIMITED

P.A.T. Operators was formed in 1955 to participate in the activity of the Lloydminster area. Initially P.A.T. was a service company and revenue came from accounting and operating for other parties. A modest program of acquisition was carefully managed and revenue began to reflect well participation. Within the financial means of the Company drilling programs were carried out and land was acquired.

Today, twelve years after incorporation, P.A.T. Operators participates in some 104 wells; gross land interests amount to 31,800 acres; twelve vehicles including a service rig, six heavy trucks and seven light trucks are in field use. Crude oil sales for June 1967 were 21,731 barrels before participation and royalties.

Major programs are planned with pipeline and field treating facilities under study. Some forty locations have been selected for a drilling program with at least twenty to be completed as soon as possible. An oil and water transportation program combining pipeline and trucking is underway. Accounting and accounting procedures have been examined so as to update and modernize. These are all progressive, sensible ideas supported by completed engineering, geological and economic studies.

The problem of increased recovery is now under study. Fireflood and steam recovery having been tried with only small success, P.A.T. Operators has ruled out present methods of thermal recovery, and is now actively engaged in waterflood studies for four separate pools.

Royal American Petroleum Limited is pleased with and proud of this new acquisition and plans an aggressive program of expansion for its new addition—"P.A.T. OPERATORS LTD."

P.A.T. OPERATORS LTD.

Total Wells Operated		142 net
Wells 80% Participation	85 gross.....	68 net
Wells Partial Participation	44 gross.....	17.6 net
Total Wells	129 gross.....	85.6 net
Net Oil Wells		63.2 net
Net Gas Wells		3.9 net
Net Other		18.5 net*
Monthly Oil Sales	17,070 bbls.	net
Monthly Gas Sales	356 mcf.	net**
Land 80% Participation	14,700 gross ac.....	11,760 acres net
Land Partial Participation	17,440 gross ac.....	2,734 acres net
Total Land	32,140 gross ac.....	14,494 acres net†
Estimated Proven Remaining Primary Reserves		4,715,945 bbls.
Estimated Proven Remaining Secondary Reserves		19,481,500 bbls.
Total Remaining Recoverable Reserves		24,197,445 bbls.††

Field Equipment

4 oil hauling trucks
 2 water hauling trucks
 1 service rig
 Field office, warehouse, and yard‡

Field Personnel

1 supervisor
 15 driver-operators§

* Does not include abandonments, but does include pressure maintenance.

** Six month average 1967 net to company.

† All acreage in Lloydminster-Lone Rock Area.

†† D. L. Flock and Associates, Consulting Engineers.

‡ Available for outside or contract work.

§ All personnel skilled and experienced—does not include office staff.

P.A.T. OPERATORS LTD.

(an Alberta company)

BALANCE SHEET

MARCH 31, 1967

ASSETS

Current Assets:		
Cash	\$ 16,183.14	
Accounts receivable, net	35,939.21	
Accrued interest receivable	1,001.71	
Prepaid expenses	6,520.91	\$ 59,644.97
Drilling and Other Deposits		22,969.27
Inventory of Tubular Goods, at cost		29,918.51
Capital Assets, at cost (Note 1):		
Lands, leases and agreements	544,946.31	
Development costs	183,532.34	
Production equipment	251,955.86	
Trucks	55,780.41	
Service rigs	15,648.87	
Buildings	10,852.34	
	1,062,716.13	
Less—Accumulated amortization and depreciation	337,327.26	725,388.87
		<u>\$837,921.62</u>

LIABILITIES

Current Liabilities:		
Bank loan, secured	\$ 54,000.00	
Accounts payable and accrued	31,118.13	
Agreement payable on purchase of properties	44,124.35	\$ 129,242.48
Promissory Note Owing to Parent Company		71,000.00
Deposit Received on Agreement to Sell Interest in Net Assets, (Note 2)		71,500.00
Shareholders' Equity:		
Share capital—		
Authorized—20,000 common shares, par value		
\$1.00 each	\$20,000.00	
Issued—400 shares	400.00	
Earned surplus, per accompanying statement	565,779.14	566,179.14

APPROVED ON BEHALF OF THE BOARD:

Joe Smilner Director
J. Jones Director

\$ 837,921.62

The accompanying notes are an integral part of this statement.

AUDITORS' REPORT

To the Shareholders of
P.A.T. Operators Ltd.

We have examined the balance sheet of P.A.T. Operators Ltd. as at March 31, 1967 and the statement of income and earned surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at March 31, 1967 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change referred to in Note 1 to the financial statements, with which we concur.

Edmonton, Alberta,
August 24, 1967.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

P.A.T. OPERATORS LTD.
STATEMENT OF INCOME AND EARNED SURPLUS
FOR THE YEAR ENDED MARCH 31, 1967

Crude oil sales less royalties and transportation			\$ 161,607.06
Direct expenses:			
Supervision	\$ 34,153.05		
Fuel, oil, chemicals and power	15,227.96		
Equipment repairs and maintenance	7,208.41		
Salt water disposal	13,885.21		
Lease and surface rentals	8,886.68		
Equipment rental	5,108.14		
Workovers	6,378.80		
Road and lease maintenance	4,023.84		
Property taxes	9,157.52		
Aberfeldy unit expense	4,301.31		
Sundry	1,820.98		110,151.90
Net production revenue			51,455.16
Net service revenue			80,225.89
Net operating income			131,681.05
General and administrative expense			44,687.51
Net operating income before the undernoted			86,993.54
Provision for amortization and depreciation	49,263.56		
Engineering and other fees, net	6,759.35		56,022.91
Other income			30,970.63
Net income for the year (Note 3)			9,231.30
Earned surplus March 31, 1966	150,187.07		40,201.93
Add:			
Adjustment of prior years' amortization			
and depreciation (Note 1)	\$ 74,004.85		
Gain on sale of capital assets	301,385.29	375,390.14	525,577.21
Earned surplus March 31, 1967			\$ 565,779.14

The accompanying notes are an integral part of this statement.

P.A.T. OPERATORS LTD.
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1967

1. Accounting Policies:

a. Accounting Practice—

The company follows the full cost method of accounting wherein all costs relative to the exploration for and the development of oil and gas reserves, whether productive or non-productive, are capitalized and amortized using the unit of production method based on estimated recoverable quantities of oil and gas. Depreciation of buildings and equipment is provided at rates which are designed to amortize cost over the estimated useful life of these assets.

b. Change in Accounting Practice—

Prior to April 1, 1966, the company provided for amortization and depreciation on the basis of amounts allowed by Canadian income tax laws. Amortization of oil properties and development costs was charged directly to earned surplus, while depreciation of buildings and equipment was charged to operations.

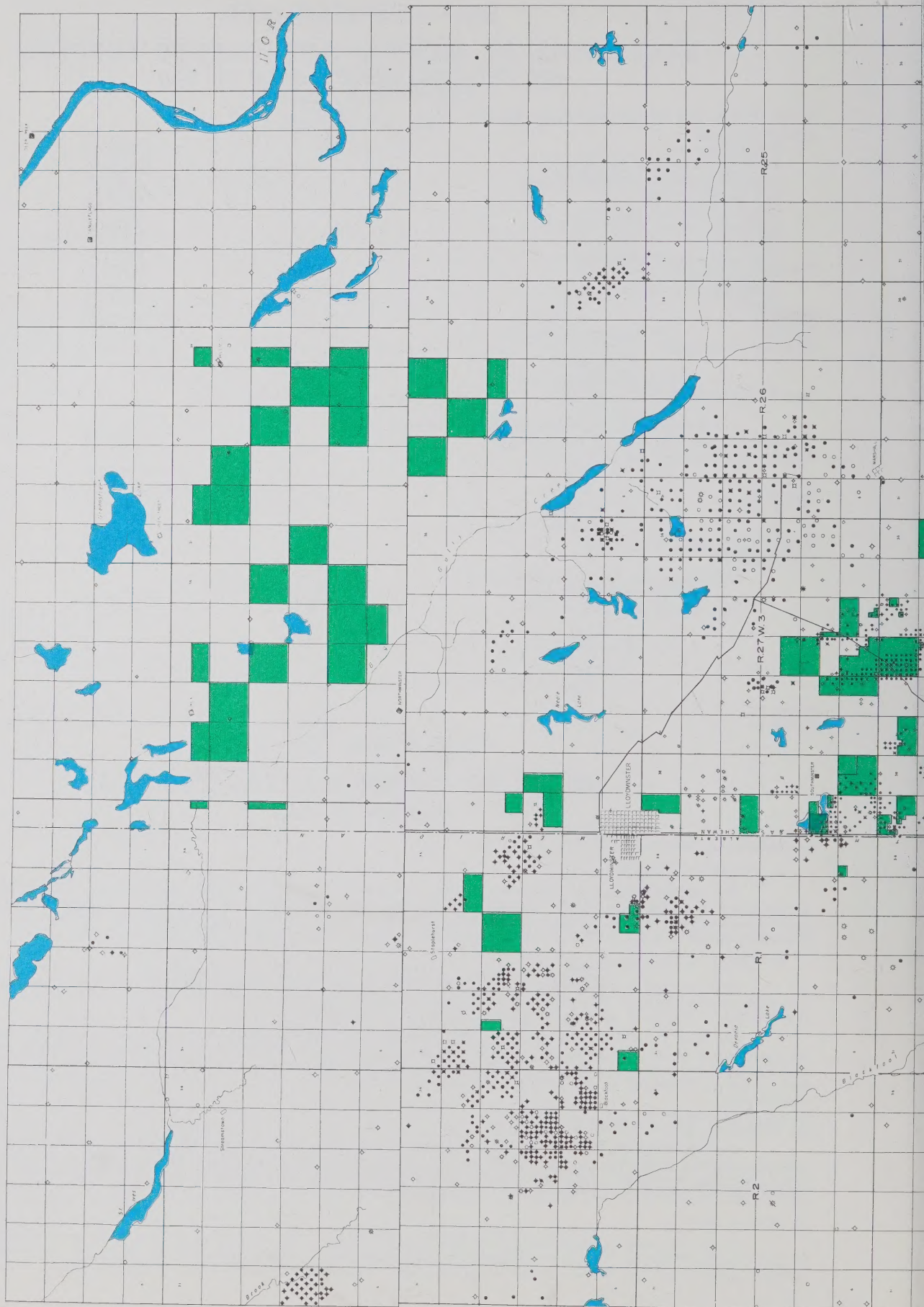
On April 1, 1966 the company changed, retroactive to commencement of operations, its practice to that of providing for amortization of oil properties and development costs on a unit of production method based on recoverable quantities of oil and gas, and to amortize the cost of buildings and equipment over the estimated useful life of these assets. This change resulted in a credit of \$74,004.85 to earned surplus in respect of prior years, and a reduction of \$14,616.34 in net income of the current year.

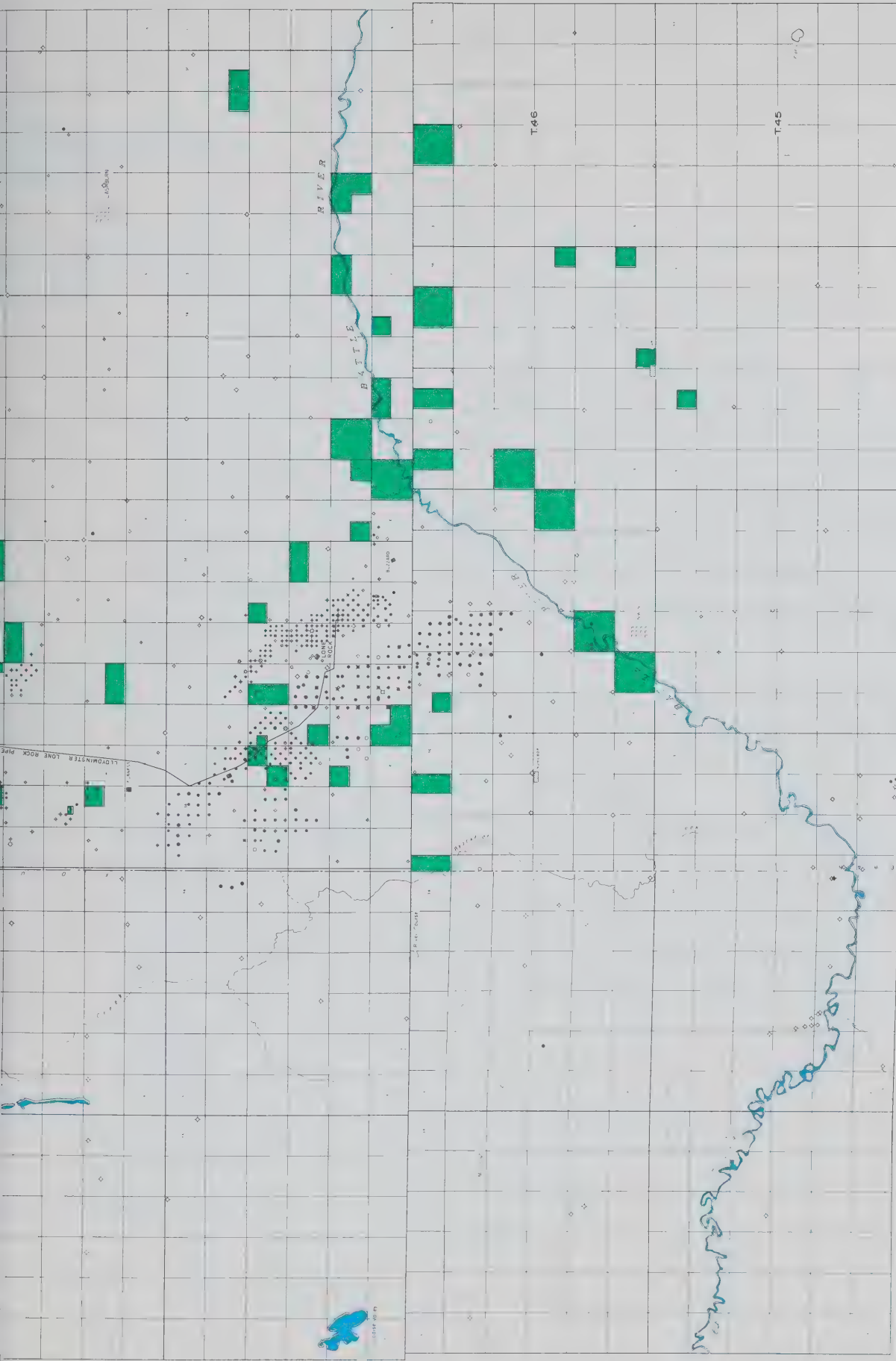
2. Deposit on Sale of Interest in Net Assets:

On December 30, 1966 the company entered into an agreement to sell 20% of its net assets for \$200,000 on the condition that the total consideration would be received by March 1, 1967 or the company could, at its option, sell to any other purchaser the interest represented by the unpaid balance on that date. To date only \$71,500 has been paid and accordingly the results of the sales agreement have not been recorded.

3. Income Taxes:

Under Canadian income tax law, exploration and development expenditures including property acquisition costs may be deducted from taxable income or, if such expenditures exceed taxable income for the year, the excess may be carried forward to subsequent years. As a result of applying these provisions no income taxes are payable for the year.





P.A.T. OPERATORS LTD.
LAND INTERESTS
LLOYDMINSTER-LONE ROCK AREA

ROYAL AMERICA

(an Alberta Corporation)

BALANCE SHEET

DECEMBER 31, 1964

ASSETS

CURRENT ASSETS:

Accrued interest	\$ 545.45	
Accounts receivable (Note 1)	174,120.84	
Note receivable	18,000.00	
Prepaid expenses and deposits	1,122.60	
Marketable securities, at cost (quoted market value \$46,296.29)	49,605.39	\$ 243,394.28
Note receivable from wholly-owned subsidiary		71,000.00

INVESTMENT IN SHARES OF WHOLLY-OWNED

SUBSIDIARY, at cost (Note 2)	812,000.00
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FIXED ASSETS, at cost:

Lands, leases, agreements and development costs	725,364.02
Production equipment	36,921.08
Office equipment	10,984.07
Automotive equipment	4,020.20

Less—Accumulated depreciation, depletion and amortization	777,289.37	
	52,364.11	724,925.26

DRILLING AND RESERVATION DEPOSITS

36,693.75

APPROVED ON BEHALF OF THE BOARD:

Joe Smilner Director.
J. H. Jones Director.

\$1,888,013.29

The notes to the financial statements

The Auditors' Report is attached

PETROLEUMS LTD.

company)

BALANCE SHEET

31, 1966

LIABILITIES

CURRENT LIABILITIES:

Demand loan payable	\$ 40,000.00	
Cheques issued in excess of bank balance	4,686.65	
Accounts payable	166,834.25	\$ 211,520.90

NOTE PAYABLE (Note 3)		100,000.00
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DEFERRED LIABILITY:

Participants' share of drilling deposits		2,000.00
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SHAREHOLDERS' EQUITY:

Share capital (Note 4)—

Authorized—

4,000,000 Class "B" common voting shares without nominal or par value not to be issued for a consideration in excess of	\$5,000,000.00
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Issued—

	Shares	
Balance December 31, 1965	1,639,464	\$ 832,773.00
Issued during the year for cash	350,000	542,500.00
Issued for shares of P.A.T. Operators Ltd.	100,000	180,000.00
	<u>2,089,464</u>	<u>1,555,273.00</u>

Earned surplus, per accompanying statement	19,219.39	1,574,492.39
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CONTINGENT LIABILITIES (Note 5)

\$1,888,013.29

an integral part of this statement.

this Balance Sheet.

ROYAL AMERICAN PETROLEUMS LTD.

STATEMENT OF PROFIT AND LOSS AND EARNED SURPLUS

FOR THE YEAR ENDED DECEMBER 31, 1966

Crude oil sales (Note 6)		\$ 48,760.23
Production expense:		
Royalties	\$ 5,583.97	
Operating expense (including rental purchase payments of \$12,292.45)	49,129.14	
Net loss on testing and operating Blood Indian well	3,478.98	58,192.09
		(9,431.86)
Other income:		
Administration fees	14,808.74	
Interest	2,797.08	
Miscellaneous	2,855.20	20,461.02
		11,029.16
General and administrative expense:		
Salaries	31,097.96	
Employee benefits	1,540.33	
Office and stationery	4,670.95	
Telephone and telegraph	3,796.95	
Office rent	3,787.50	
Travelling and subsistence	4,704.10	
Insurance	865.21	
Maps, reports and fees	7,236.33	
Reports and releases to shareholders	2,104.18	
Professional fees	2,921.00	
Transfer fees	2,189.88	
Interest and bank charges	5,585.85	
Business taxes	580.40	
Advertising and promotion	2,457.65	
Miscellaneous	1,021.10	74,559.39
		63,530.23
Other expenses:		
Provision for depreciation, depletion and amortization	23,898.24	
Listing and financing costs	6,779.55	30,677.79
NET LOSS FOR THE YEAR (Note 7)		94,208.02
Deficit, December 31, 1965	196,708.21	
Gain on sale of properties (Note 6)	310,135.62	113,427.41
EARNED SURPLUS, DECEMBER 31, 1966		\$ 19,219.39

The accompanying notes are an integral part of this statement.

AUDITORS' REPORT

To the Shareholders of

Royal American Petroleum Ltd.:

We have examined the balance sheet of Royal American Petroleum Ltd. as at December 31, 1966 and the statement of profit and loss and deficit for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1966 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year except for the change described in Note 7 to the financial statements, with which we concur.

Edmonton, Alberta,
June 30, 1967.

PRICE WATERHOUSE & CO.,
Chartered Accountants.

ROYAL AMERICAN PETROLEUMS LTD.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1966

Note 1—Accounts receivable:

The company has commenced legal proceedings to collect an account receivable in the amount of \$113,000.00. The company's legal counsel has expressed the opinion that the account is collectible in full and that the company holds good security.

Note 2—Investment in shares of a wholly-owned subsidiary:

As at December 30, 1966, the company acquired all the issued shares of P.A.T. Operators Ltd., an oil producing and development company.

Note 3—Note payable:

On April 4, 1967, in accordance with the terms of the agreement for the purchase of the shares of P.A.T. Operators Ltd. the company exercised its option whereby the note payable in the amount of \$100,000.00 was paid in full by the issue of 66,666 treasury shares.

Note 4—Share capital:

A. On October 13, 1965, the company entered into two stock option agreements with key management personnel whereby they were granted the right to purchase at 90c per share 13,000 Class B voting shares on or before each anniversary date, for the next five years, for a maximum of 65,000 shares. To date, none of these options have been exercised.

B. The company has allotted 4,860 Class B voting shares for the purpose of purchasing all of the outstanding shares of Ribrock Oils Ltd. by the issuance of 5 Class B shares for each outstanding share of Ribrock Oils Ltd. To December 31, 1966 the company received 616 shares of the 972 issued shares of Ribrock Oils Ltd. in exchange for 3,080 Class B voting shares of its own stock.

C. By a special resolution amending the provisions of the Memorandum of Association dated September 7, 1966 the company diminished and increased its authorized share capital from 2,000,000 Class A non-voting common shares without nominal or par value and 2,000,000 Class B voting common shares without nominal or par value all of which shares may be issued for a maximum consideration not exceeding in the aggregate \$1,500,000.00 to 4,000,000 Class B voting common shares without nominal or par value which may be issued for a maximum consideration not exceeding in the aggregate \$5,000,000.00 by:

1. the cancellation of 2,000,000 Class A non-voting common shares without nominal or par value
2. the creation of 2,000,000 new Class B voting common shares without nominal or par value
3. the resolving that the maximum price or consideration at or for which all the shares without nominal or par value may be issued shall not exceed in the aggregate the sum of \$5,000,000.00.

Note 5—Contingent liabilities:

The company is contingently liable as guarantor of bank loans amounting to \$62,240.00.

Under an agreement entered into August 1966, the company is committed to purchase before August 1967 from Mirelis Investments Ltd., 50,000 shares of Consolidated West Petroleum Ltd. at the average market price, including brokerage (\$1.8792 per share) to Mirelis plus a fee of 22c per share charged by Mirelis, i.e., \$2.0992 per share for a total of \$104,960.05. In the event of default on the part of the company, Mirelis has the absolute right to dispose of these shares and claim from the company the deficiency, if any, between the net selling price and the amount of \$104,960.05. At December 31, 1966, the quoted market value of these shares was \$79,500.00. To date, the company has not exercised its right to purchase these shares.

Note 6—Sale of properties:

At December 30, 1966 the company sold to P.A.T. Operators Ltd. all of its producing properties in the Province of Saskatchewan for the sum of \$520,000.00.

Note 7—Change in accounting policy:

Prior to January 1, 1966 it was the company's practice to capitalize property acquisition costs, geological and geophysical expenditure and the costs of productive wells and to charge against income as incurred, dry hole costs, exploration expenses which did not result in the retention of properties, lease and reservation rentals, exploration overhead and the cost of properties abandoned at the time of surrender. With the current year, the company having adopted the full-cost method of accounting, all amounts expended with respect to the acquisition, retention, exploration for and development of oil and gas reserves, whether productive or unproductive, have been capitalized as representing the cost of the company's reserves. Proceeds of disposals ordinarily will be applied in full to reduce the costs.

Provision for depletion has been computed by the unit of production method based upon the total costs in relation to overall estimates of proven reserves of oil and gas. In former years depletion was computed on capitalized costs relating to producing properties on a field basis.

Production equipment continues to be accounted for separately and depreciated by the straight-line method at rates designed to amortize costs over the estimated service life of the assets. This change in accounting for dry holes and properties had the effect of decreasing the net loss for the year by \$140,358.41.

ROYAL AMERICAN PETROLEUMS LTD.
CONSOLIDATED BALANCE SHEET
AS AT JULY 31, 1967

ASSETS

Current Assets:

Cash on hand and in the bank	\$ 24,557.97	
Accounts receivable	209,578.80	
Accounts receivable re: sale of interest in properties	108,500.00	
Notes receivable	9,000.00	
6081 shares of Consolidated West Petroleum Ltd. at cost	9,282.57	
Field supplies, at cost	4,945.06	
Prepaid Expenses	1,890.42	\$ 367,754.82

Refundable Deposits:

Drilling, Reservation and other deposits	31,357.25	
Government of Canada special refundable tax	1,815.00	33,172.25

Inventory of Casing and Tubing, at cost		29,918.51
Excess of Cost over book value of Subsidiary		240,617.15

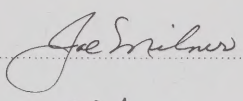
Capital Assets, at cost:

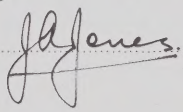
Land, Leases, Agreements and Development Costs	1,340,247.42	
Production Equipment	238,485.77	
Automotive Land Service Equipment	72,329.28	
Buildings	10,852.34	
Office Furniture and Fixtures	11,401.40	

1,673,316.21

Less: Accumulative Depreciation, Amortization and Depletion	355,106.69	\$1,318,209.52
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\$1,989,672.25

Director..... 

Director..... 

ROYAL AMERICAN PETROLEUMS LTD.
CONSOLIDATED BALANCE SHEET
AS AT JULY 31, 1967

LIABILITIES

Current Liabilities:

Bank Loans, secured	\$ 71,000.00	
Accounts Payable	207,698.73	
Agreement Payable-Golden Spike Petroleum Ltd.	40,582.70	\$ 319,281.43

Other Liabilities:

Participants share of drilling deposit		2,000.00
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Share Capital:

Authorized: 4,000,000 Class B common voting shares without nominal or par value which may be sold for a sum not to exceed in the aggregate....	\$5,000,000	
Issued—Class B voting shares	2,154,350	1,653,938.00
Allotted—Class B voting shares	1,780	1,335.00

2,156,130

Surplus	13,117.82	1,668,390.82
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\$1,989,672.25

ROYAL AMERICAN PETROLEUMS LTD.

CONSOLIDATED STATEMENT OF INCOME AND SURPLUS FOR THE PERIOD ENDED JULY 31, 1967

Oil Production Revenue, after royalties and transportation		\$ 114,884.43
Other Income:		
Interest	\$ 7,005.10	
Administrative Charges	1,950.00	
Net Service Revenue	37,414.63	
Gain on sale of interest in lands, leases and equipment	43,919.51	90,289.24
		\$ 205,173.67
Production Expenses		93,784.80
		\$ 111,388.87
General and Administrative Expenses	68,300.93	
Other Expenses	5,132.08	73,433.01
		\$ 37,955.86
Provision for Depreciation, Amortization and Depletion		44,057.43
Net Loss for the seven month period		\$ 6,101.57
Surplus, beginning of period		19,219.39
Surplus, July 31, 1967		13,117.82

